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**DEPARTMENT OF THE TREASURY**

**48 CFR Parts 1002, 1032, and 1052**

**RIN 1505-AC41**

**Department of the Treasury Acquisition Regulation; Internet Payment Platform**

**AGENCY:** Office of the Procurement Executive, Treasury.

**ACTION:** Final rule.

**SUMMARY:** The Department of the Treasury is amending the Department of the Treasury Acquisition Regulation (DTAR) to implement use of the Internet Payment Platform, a centralized electronic invoicing and payment information system, and to change the definition of bureau to reflect the consolidation on July 21, 2011 of the Office of Thrift Supervision with the Office of the Comptroller of the Currency. This final rule follows publication of a February 23, 2012, notice of proposed rulemaking. After careful consideration of the public comments, the Department is adopting the proposed rulemaking without change.

**DATES:** Effective date: [INSERT DATE THAT IS 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]

**FOR FURTHER INFORMATION CONTACT:** Ronald Backes, Director, Acquisition Management, Office of the Procurement Executive, at (202) 622-5930.

## **SUPPLEMENTARY INFORMATION:**

### **I. Background and Proposed Rule**

The Federal Acquisition Regulation (FAR) sets forth the uniform regulation for the procurement of supplies and services by federal departments and agencies (title 48, chapter 1, of the Code of Federal Regulations (CFR)). The Department of the Treasury Acquisition Regulations, which supplement the FAR, are codified at 48 CFR Chapter 10.

On July 5, 2011, the Department announced that it will implement the Internet Payment Platform (IPP) no later than the end of fiscal year 2012; with all new payment requests in FY2013 processed using the IPP. The Internet Payment Platform (IPP) is a secure web-based electronic invoicing and payment system that processes vendor payment data electronically, either through a web-based portal or electronic submission, and automates the routing and approval workflow within an agency.

The IPP is provided by the Department of the Treasury's Financial Management Service through its fiscal agent, the Federal Reserve Bank of Boston at no cost to vendors or government departments and agencies adopting the platform. The IPP benefits agencies by eliminating the need to file and store paper payment documentation; reducing the time of agency personnel researching and answering payment status questions by providing vendor and department-wide visibility into contract payments.

IPP benefits vendors by reducing time to payment, creating a standard set of electronic data to submit payment requests to the Federal government; reducing costs from having multiple

processes and requirements; reducing paper and postage costs, improving cash management by eliminating the time delays associated with submitting and routing paper; and increasing transparency in the payment processes.

The Department will support vendor transition from paper-based payment processes to IPP through a series of webinar and video training on various aspects of the application, including how to view purchase orders, submit invoices, retrieve payment information, set notification preferences, and add users to IPP accounts. The IPP application includes a "Collector User Guide" on vendor landing page. Treasury also operates customer support services email and toll free numbers during business hours, Monday through Friday 8 am - 6:30 pm Eastern Time.

On February 23, 2012 (77 FR 10714) the Department published a proposed rule that would add a new subpart 1032.70—Electronic Submission and Processing of Payment Requests to establish the IPP. The Department published a correction to the proposed rule on March 5, 2012 (77 FR 13069). The proposed rule prescribed policies and procedures for electronic submission and processing of payment requests. With limited exceptions, the proposed provisions would establish that after October 1, 2012, Treasury will require and contractors will submit payment requests electronically. The rule also proposed a waiver of its provisions and proposed the text of the IPP contract clause.

This proposed rule also included nonsubstantive, technical changes to update the DTAR definition of “bureau” and would add “IPP” to the DTAR list of abbreviations.

## **II. This Final Rule**

In its February 23, 2012, proposed rule, the Department solicited public comments on all aspects of the proposal. The comment period closed on April 23, 2012 and eight comments were

received. All of the comments were from private citizens and law school students. This section sets out significant comments raised by the commenters and the Department's responses to these comments. As set forth below, the Department has considered the comments and is adopting the proposed rule without change.

#### Public Comments and Department Response

One commenter suggested that the Department should make electronic submission of payments optional for a period of one to two years in order to assess its impact on supplier diversity. The commenter asserted that this would enable the Department to conduct targeted outreach and to take remedial steps before mandating electronic submission, in the event a negative effect on supplier diversity is observed. Another commenter suggested extending the compliance date of the rule until 2013.

The potential exists that, for unforeseen reasons, there may be a small number of entities that may be unable to utilize the IPP upon implementation. For this reason, the Department included the waiver provisions, which will provide ample opportunity for impacted businesses to seek a waiver and if granted, to continue paper-based invoicing procedures. Therefore, the Department is not adopting this change.

Another commenter stated that the IPP should support a longer payment history than 18 months. The commenter noted that the IPP should maintain payment data for at least two years based on the need for contractors to retain records for tax purposes.

The payment history feature in IPP is intended to provide a convenient reference, not to relieve contractors of existing record keeping requirements. IPP permits contractors to download records for this purpose. The Department considers an 18 month payment history sufficient to fulfill the purpose for which the feature is provided, and therefore is not adopting this change.

One commenter opined that the adoption of the IPP needs to be accompanied by an increase in funding for and focus on cyber security. That commenter further stated that the nature of the IPP's format for data transfer makes the need for proper cyber security to be in place before the widespread implementation of the IPP even more critical. The commenter also inquired about the source code for the IPP.

The Department shares the commenter's concerns about cyber security and affirms that it is committed to making every effort to protect the integrity of the information in the system. The commenter's suggestions, however, are outside of the scope of this rulemaking and cannot be addressed in this final rule.

Another commenter suggested that the Department should further support its conclusion that the impact on small entities will be minimal. This commenter stated that the Department should undertake further analysis about the economic impact on small entities before proceeding with the rulemaking.

In the February 23, 2012, proposed rule, pursuant to the Regulatory Flexibility Act (5 U.S.C. 601 et seq.), the Department certified that the rule, if adopted, would not have a significant economic impact on a substantial number of small entities and solicited comments on the impact that the rule would have on small entities. No comments were received about the impact of the rule on entities of any size. Notwithstanding the commenter's suggestion that further analysis be undertaken, the Department continues to believe that the IPP implementation does not have a significant economic impact on small entities. As explained in section III of this preamble, the move from manual, paper-based processing to electronic processing will not require significant costs. The IPP only requires a computer and internet access, which all entities that seek to contract with the Treasury Department must use in order to learn of contracting

opportunities and obtain solicitations. In addition, the Department expects that small entities that have been using paper-based processing will benefit from the speed and efficiency of the IPP. Therefore, in the absence of any comments that address the impact or demonstrate a significant economic impact of the rule, the Department is not conducting further analysis at this time.

One commenter suggested that the rule should specify what constitutes an “undue burden” sufficient to waive its provisions. Another commenter suggested that the undue burden waiver provides an amorphous standard that may undermine the objectives of the rule.

The Department considers the implementation of the waiver provisions, including time to transition to electronic payment and undue burden, to allow ample opportunity for impacted businesses to make a case for continuing paper-based invoicing procedures. Indeed, the Department does not expect that transition to the IPP will impose an undue burden on any contractor, but has included the waiver provision to provide for any unforeseen difficulties that might occur. Because the Department cannot predict what circumstances, if any, might create the need for waiver, it cannot articulate a more specific waiver standard. If the Department in fact receives a significant number of waiver requests, it will determine if additional changes need to be implemented in the system or in the policy. If appropriate, the Department may provide further clarification about the circumstances and criteria for waiver provisions, including time to transition to electronic payment and undue burden. For these reasons, the Department is not adopting the suggestions to revise the waiver provision.

One commenter suggested that the rule should provide for the clear preservation of IPP-generated electronic records, so that they will be available in the event of a Freedom of Information Act request. Specifically, the commenter suggested that the rule be amended to include either: a provision requiring agencies to preserve IPP-generated electronic records for a

set period of time; a provision requiring agency heads to include IPP-generated electronic records within their required record management plans under the Federal Records Act; or a provision requiring the National Archives and Records Administration to amend 36 CFR Part 1236 to clearly require that IPP-generated documents be preserved under agency record management plans.

The Department appreciates the commenter's interest in preserving federal records, and notes that the Federal Records Act requires it to retain IPP records regardless of whether or not they are covered by 36 CFR Part 1236. The suggestions, however, are outside the scope of this rulemaking and are not adopted in this final rule.

Accordingly, the Department is adopting the proposed rule, as corrected, without further change.

### **III. Other Matters**

#### **Regulatory Planning and Review**

This rule is not a significant regulatory action as defined in section 3(f) of Executive Order 12866. Therefore a regulatory assessment is not required.

#### **Regulatory Flexibility Act**

The Regulatory Flexibility Act (5 U.S.C. chapter 6) generally requires agencies to conduct an initial regulatory flexibility analysis and a final regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities.

It is hereby certified that this rule will not have a significant economic impact on a substantial number of small entities. The IPP will benefit vendors by reducing time to payment, creating a standard set of electronic data to submit payment requests to the federal government;

reducing costs associated with adhering to multiple processes and requirements for different federal agencies; reducing paper and postage costs, improving cash management by eliminating the time delays associated with submitting and routing paper; and increasing transparency in the payment processes. The rule is intended to support the implementation of the IPP to streamline the payment processes associated with government contracts and agreements.

Treasury contracts with more than 4,000 small businesses annually. This rule is expected to impact all small businesses that contract with Treasury. While Treasury anticipates that a significant number of small businesses will be impacted, the economic impact is minimal, and outweighed by the economic benefits of IPP. An initial cost to small businesses in terms of changes to manual, paper-based invoicing processes is expected to be recouped by small businesses within a short-term through more efficient submission and reporting of invoices and payments and more timely payments. No additional reporting or record-keeping requirements for small businesses result from this rule. Staff experienced with the submission of paper-based payment requests will need to learn the process for submitting electronic payment requests. New compliance and reporting requirements are not anticipated, as government and vendor staff will be able to access data and reports directly through the IPP.

This rule is related to, but not in conflict with, following federal rules:

- 31 CFR Part 208 requires that most federal payments be made electronically, subject to certain waivers established in the rule.
- The Prompt Payment rule at 5 CFR Part 1315 requires vendors to submit Electronic Funds Transfer (EFT) information and a Taxpayer Identification Number (TIN) as part of a proper invoice, unless agency procedures provide otherwise. Late interest penalties do not apply if the vendor has failed to submit this information.



- 48 CFR Parts 13, 15, 32 and 52, addresses the use of EFT for federal contract payments and also provides for the collection of banking information from vendors. In particular, the FAR EFT rule provides EFT contract clauses that agencies should use in their contracts with government vendors requiring them to receive payments electronically

This rule would be implemented in such a manner to complement these rules. One comment was received that suggested that further analysis is necessary, however no comments were received that suggested the economic impact would be significant (see section II.) Accordingly, the undersigned hereby certifies that this rule will not have a significant economic impact on a substantial number of small entities.

#### Paperwork Reduction Act

The information collections contained in this rule have been previously approved by the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. 3501, et seq.) and assigned OMB control numbers 1505-0081; 1505-0080; and 1505-0107. Under the Paperwork Reduction Act, an agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number.

#### Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1532 (UMRA), requires that the agency prepare a budgetary impact statement before promulgating any rule likely to result in a federal mandate that may result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year.

If a budgetary impact statement is required, section 205 of UMRA also requires the agency to identify and consider a reasonable number of regulatory alternatives before promulgating the rule. It has been determined that the rule will not result in expenditures by state, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year.

### **List of Subjects in 48 CFR Parts 1002, 1032, and 1052**

Government procurement.

Accordingly, the Department of the Treasury amends 48 CFR Chapter 10 as follows:

### **PART 1002—DEFINITIONS OF WORDS AND TERMS**

1. The authority citation for part 1002 continues to read as follows:

Authority: 41 U.S.C. 418b.

2. Section 1002.101 is revised to read as follows:

#### **1002.101 Definitions.**

*Bureau* means any one of the following Treasury organizations:

- (1) Alcohol and Tobacco Tax and Trade Bureau (TTB);
- (2) Bureau of Engraving & Printing (BEP);
- (3) Bureau of Public Debt (BPD);
- (4) Departmental Offices (DO);
- (5) Financial Crimes Enforcement Network (FinCEN);
- (6) Financial Management Service (FMS);

- (7) Office of the Inspector General (OIG);
- (8) Internal Revenue Service (IRS);
- (9) Office of the Comptroller of the Currency (OCC);
- (10) Special Inspector General for the Troubled Asset Relief Program (SIGTARP);
- (11) Treasury Inspector General for Tax Administration (TIGTA); or
- (12) United States Mint.

3. Section 1002.70 is amended by adding the abbreviation of *IPP* in alphabetical order to read as follows:

**1002.70 Abbreviations.**

\* \* \* \* \*

*IPP*                      Internet Payment Platform

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**PART 1032—CONTRACT FINANCING**

4. The authority citation for part 1032 continues to read as follows:

**Authority:** 41 U.S.C. 418b.

5. Add subpart 1032.70 to read as follows:

**Subpart 1032.70—Electronic Submission and Processing of Payment Requests**

Sec.

1032.7000 Scope of subpart.

1032.7001 Definitions.

1032.7002 Policy.

1032.7003 Contract clause.

### **Subpart 1032.70—Electronic Submission and Processing of Payment Requests**

#### **1032.7000 Scope of subpart.**

This subpart prescribes policies and procedures for electronic submission and processing of payment requests.

#### **1032.7001 Definitions.**

“Payment request,” as used in this subpart, is defined in the clause at 1052.232-7003, Electronic Submission of Payment Requests.

#### **1032.7002 Policy.**

(a) Contracts awarded after October 1, 2012, shall require the electronic submission of payment requests, except for—

- (1) Purchases paid for with a Government-wide commercial purchase card;
- (2) Classified contracts or purchases when electronic submission and processing of payment requests could compromise classified information or national security;

(b) Where a contract otherwise requires the electronic submission of invoices, the Contracting Officer may authorize alternate procedures only if the Contracting Officer makes a written determination that:

(1) The Department of the Treasury is unable to receive electronic payment requests or provide acceptance electronically;

(2) The contractor has demonstrated that electronic submission would be unduly burdensome; or

(3) The contractor is in the process of transitioning to electronic submission of payment requests, but needs additional time to complete such transition. Authorizations granted on this basis must specify a date by which the contractor will transition to electronic submission.

(c) Except as provided in paragraphs (a) and (b) of this section, Treasury officials shall process electronic payment submissions through the Treasury Internet Payment Platform or successor system.

(d) If the requirement for electronic submission of payment requests is waived under paragraph (a)(2) or paragraph (b) of this section, the contract or alternate payment authorization, as applicable, shall specify the form and method of payment request submission.

#### **1032.7003 Contract clause.**

Except as provided in 1032.7002(a), use the clause at 1052.232-7003, Electronic Submission of Payment Requests—Internet Payment Platform, in solicitations issued and contracts awarded after October 1, 2012.

## **PART 1052—SOLICITATION PROVISIONS AND CONTRACT CLAUSES**

6. The authority citation for part 1052 continues to read as follows:

**Authority:** 41 U.S.C. 418b.

7. Add section 1052.232-7003 to read as follows:

### **1052.232-7003 Electronic submission of payment requests.**

As prescribed in 1032.7003, use the following clause:

#### **ELECTRONIC SUBMISSION OF PAYMENT REQUESTS (DATE TBD)**

(a) *Definitions.* As used in this clause—

(1) “Payment request” means a bill, voucher, invoice, or request for contract financing payment with associated supporting documentation. The payment request must comply with the requirements identified in FAR 32.905(b), "Payment documentation and process" and the applicable Payment clause included in this contract.

(2) [Reserved]

(b) Except as provided in paragraph (c) of this clause, the Contractor shall submit payment requests electronically using the Internet Payment Platform (IPP). Information regarding IPP is available on the Internet at [www.ipp.gov](http://www.ipp.gov). Assistance with enrollment can be obtained by contacting the IPP Production Helpdesk via email [ippgroup@bos.frb.org](mailto:ippgroup@bos.frb.org) or phone (866) 973-3131.

(c) The Contractor may submit payment requests using other than IPP only when the Contracting Officer authorizes alternate procedures in writing.

(d) If alternate payment procedures are authorized, the Contractor shall include a copy of the Contracting Officer's written authorization with each payment request.

(End of clause)

DATED: \_June 12, 2012\_\_\_\_\_

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Thomas A. Sharpe, Jr.  
Senior Procurement Executive, Office of the Procurement Executive

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